

CITY OF SLOAN

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

SEPTEMBER 30, 2009

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CITY OF SLOAN

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tom Ullrich	Mayor	January, 2012
Darrel Iverson	Council Member	January, 2010
LeRoy Towne	Council Member	January, 2010
Theresa Holdgrafer	Council Member	January, 2012
Kay Ping	Council Member	January, 2012
Sandy Thorpe	Council Member	January, 2012
Tracy Mertz (resigned 8/31/09)	City Clerk	Indefinite
Dixie Iverson (appointed 10/1/09)	City Clerk	Indefinite
Jeffery Sar	Attorney	Indefinite

HUNZELMAN, PUTZIER & CO., PLC  
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.  
RICHARD R. MOORE, C.P.A.  
WESLEY E. STILLE, C.P.A. (RETIRED)  
KENNETH A. PUTZIER, C.P.A. (RETIRED)  
W.J. HUNZELMAN, C.P.A. 1921-1997

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
Sloan, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Sloan, Iowa, as of and for the fifteen month period ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Sloan as of September 30, 2009, and the respective changes in cash basis financial position for the fifteen month period then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2010, on our consideration of City of Sloan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Budgetary comparison information on pages 17 and 18 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

City of Sloan, Iowa, has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. Other supplementary information included in Schedules 1 and 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

March 18, 2010

*Hungelman, Putzier & Co.*

**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS**  
**AS OF AND FOR THE FIFTEEN MONTH PERIOD ENDED SEPTEMBER 30, 2009**

		Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
		Charges for	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	Governmental Activities	Business Type Activities	Total
	Disbursements	Service					
Functions/Programs:							
Governmental activities							
Public safety	\$ 99,779	\$ 7,327	\$ 7,750	\$ -	\$ (84,702)	\$ -	\$ (84,702)
Public works	224,166	95,433	112,256	-	(16,477)	-	(16,477)
Culture and recreation	93,033	946	21,962	-	(70,125)	-	(70,125)
Community and economic development	1,072	-	-	-	(1,072)	-	(1,072)
General government	141,093	18,148	-	-	(122,945)	-	(122,945)
Debt service	74,583	-	-	-	(74,583)	-	(74,583)
Total governmental activities	633,726	121,854	141,968	-	(369,904)	-	(369,904)
Business type activities							
Water	915,388	120,230	-	656,137	-	(139,021)	(139,021)
Sewer	104,553	159,786	-	-	-	55,233	55,233
Total business type activities	1,019,941	280,016	-	656,137	-	(83,788)	(83,788)
Total	\$ 1,653,667	\$ 401,870	\$ 141,968	\$ 656,137	(369,904)	(83,788)	(453,692)
General Receipts:							
Property tax levied for:							
General purposes					226,656	-	226,656
Debt service					30,270	-	30,270
Local option sales tax					143,134	-	143,134
Unrestricted interest on investments					12,867	3,020	15,887
Refunds and reimbursements					8,504	-	8,504
Miscellaneous					2,141	-	2,141
Transfers					(85,880)	85,880	-
Total general receipts and transfers					337,692	88,900	426,592
Change in cash basis net assets					(32,212)	5,112	(27,100)
Cash basis net assets beginning of year					560,264	549,087	1,109,351
Cash basis net assets end of year					\$ 528,052	\$ 554,199	\$ 1,082,251

## CITY OF SLOAN

Exhibit A

## STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

(Continued)

AS OF AND FOR THE FIFTEEN MONTH PERIOD ENDED SEPTEMBER 30, 2009

		Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
			Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest			
	<u>Disbursements</u>	<u>Charges for Service</u>			<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash Basis Net Assets							
Restricted:							
Streets					\$ 77,211	\$ -	\$ 77,211
Debt service					5,331	-	5,331
Unrestricted					445,510	554,199	999,709
Total cash basis net assets					<u>\$ 528,052</u>	<u>\$ 554,199</u>	<u>\$ 1,082,251</u>

See notes to financial statements.

CITY OF SLOAN  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE FIFTEEN MONTH PERIOD ENDED SEPTEMBER 30, 2009

Exhibit B

		<u>Special Revenue</u>			
	<u>General</u>	<u>Road Use</u>	<u>Local Option Sales Tax</u>	<u>Nonmajor Debt Service</u>	<u>Total</u>
Receipts:					
Property tax	\$ 226,656	\$ -	\$ -	\$ 30,270	\$ 256,926
Other city tax	-	-	143,134	-	143,134
License and permits	1,738	-	-	-	1,738
Use of money and property	27,182	-	-	-	27,182
Intergovernmental	7,215	112,256	-	6,520	125,991
Charges for service	102,178	-	-	-	102,178
Miscellaneous	30,245	-	-	-	30,245
Total receipts	<u>395,214</u>	<u>112,256</u>	<u>143,134</u>	<u>36,790</u>	<u>687,394</u>
Disbursements:					
Operating:					
Public safety	99,779	-	-	-	99,779
Public works	109,110	115,056	-	-	224,166
Culture and recreation	93,033	-	-	-	93,033
Community and economic development	1,072	-	-	-	1,072
General government	141,093	-	-	-	141,093
Debt service	-	33,880	-	40,703	74,583
Total disbursements	<u>444,087</u>	<u>148,936</u>	<u>-</u>	<u>40,703</u>	<u>633,726</u>
Excess (deficiency) of receipts over disbursements	<u>(48,873)</u>	<u>(36,680)</u>	<u>143,134</u>	<u>(3,913)</u>	<u>53,668</u>
Other financing sources (uses):					
Operating transfers in	57,254	20,000	-	-	77,254
Operating transfers out	<u>(20,000)</u>	<u>-</u>	<u>(143,134)</u>	<u>-</u>	<u>(163,134)</u>
Total other financing sources (uses)	<u>37,254</u>	<u>20,000</u>	<u>(143,134)</u>	<u>-</u>	<u>(85,880)</u>
Net change in cash balances	(11,619)	(16,680)	-	(3,913)	(32,212)
Cash balances beginning of year	<u>457,129</u>	<u>93,891</u>	<u>-</u>	<u>9,244</u>	<u>560,264</u>
Cash balances end of year	<u>\$ 445,510</u>	<u>\$ 77,211</u>	<u>\$ -</u>	<u>\$ 5,331</u>	<u>\$ 528,052</u>



CITY OF SLOAN  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE FIFTEEN MONTH PERIOD ENDED SEPTEMBER 30, 2009

Exhibit B  
 (Continued)

	<u>Special Revenue</u>				
	<u>General</u>	<u>Road Use</u>	<u>Local Option Sales Tax</u>	<u>Nonmajor Debt Service</u>	<u>Total</u>
Cash Basis Fund Balances					
Reserved for debt service	\$ -	\$ -	\$ -	\$ 5,331	\$ 5,331
Unreserved:					
General	445,510	-	-	-	445,510
Special Revenue	-	77,211	-	-	77,211
Total cash basis fund balances	<u>\$ 445,510</u>	<u>\$ 77,211</u>	<u>\$ -</u>	<u>\$ 5,331</u>	<u>\$ 528,052</u>

See notes to financial statements.

## CITY OF SLOAN

Exhibit C

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS

AS OF AND FOR THE FIFTEEN MONTH PERIOD ENDED SEPTEMBER 30, 2009

	Enterprise		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating receipts:			
Charges for service	\$ 115,373	\$ 159,786	\$ 275,159
Miscellaneous	<u>4,857</u>	<u>-</u>	<u>4,857</u>
Total operating receipts	120,230	159,786	280,016
Operating disbursements:			
Business type activities	<u>259,251</u>	<u>104,553</u>	<u>363,804</u>
Excess (deficiency) of operating receipts over operating disbursements	<u>(139,021)</u>	<u>55,233</u>	<u>(83,788)</u>
Non-operating receipts (disbursements)			
Interest on investments	3,020	-	3,020
Contributions from developer	656,137	-	656,137
Payments to contractors	<u>(656,137)</u>	<u>-</u>	<u>(656,137)</u>
Net non-operating receipts (disbursements)	<u>3,020</u>	<u>-</u>	<u>3,020</u>
Excess (deficiency) of receipts over disbursements	(136,001)	55,233	(80,768)
Operating transfers in	<u>42,940</u>	<u>42,940</u>	<u>85,880</u>
Net change in cash balances	(93,061)	98,173	5,112
Cash balances beginning of year	<u>386,855</u>	<u>162,232</u>	<u>549,087</u>
Cash balances end of year	<u>\$ 293,794</u>	<u>\$ 260,405</u>	<u>\$ 554,199</u>
Cash Basis Fund Balances			
Unreserved	<u>\$ 293,794</u>	<u>\$ 260,405</u>	<u>\$ 554,199</u>

See notes to financial statements.

CITY OF SLOAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Sloan is a political subdivision of the State of Iowa located in Woodbury County. It operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, general government services, and business type activities.

A. Reporting Entity

For financial reporting purposes, City of Sloan has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the City. The City has no component units which meet the Governmental Accounting Standard Board criteria.

Jointly Governed Organizations - The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

CITY OF SLOAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - (Continued)

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the main operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for monies received from the local option sales tax.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's sewer system.

C. Measurement Focus and Basis of Accounting

City of Sloan maintains its financial records on the basis of cash receipts and disbursements, and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the business type activities function.

CITY OF SLOAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009

2. CASH AND INVESTMENTS

The City's deposits in banks at September 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 3, as amended by Statement 40.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

3. NOTES PAYABLE

Annual debt service requirements to maturity for general obligation and revenue notes are as follows:

Year Ending June 30,	<u>General Obligation</u>		<u>Revenue Note</u>		<u>Total</u>	
	<u>Notes</u> <u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 23,009	\$ 6,667	\$ 8,365	\$ -	\$ 31,374	\$ 6,667
2011	35,979	8,178	-	-	35,979	8,178
2012	27,566	6,598	-	-	27,566	6,598
2013	24,827	5,450	-	-	24,827	5,450
2014	25,830	4,447	-	-	25,830	4,447
2015-2018	91,731	7,065	-	-	91,731	7,065
	<u>\$ 228,942</u>	<u>\$ 38,405</u>	<u>\$ 8,365</u>	<u>\$ -</u>	<u>\$ 237,307</u>	<u>\$ 38,405</u>

The revenue note above is an interim loan for the plan and design of a projected sewer project. The total approved and committed amount of the note is \$83,898 and bears interest at 0%. The note is due upon obtaining permanent financing for the project or three years from the date of the loan.

5. PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

CITY OF SLOAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009

5. PENSION AND RETIREMENT BENEFITS – (Continued)

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State stature. The City's contribution to IPERS for the fifteen month period ended September 30, 2009, was \$15,563 equal to the required contribution for the period.

6. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and compensatory hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory leave payable to employees at September 30, 2009, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	<u>\$ 2,379</u>

This liability has been computed based on rates of pay in effect at September 30, 2009.

7. SOLID WASTE DISPOSAL AGREEMENT

The City entered into an agreement with the Woodbury County Solid Waste Agency, in accordance with Chapter 28E of the Code of Iowa, to provide for the disposal of solid waste from within the City. For the fifteen month period ended September 30, 2009, \$25,155 was paid pursuant to the agreement.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform maintenance and monitoring functions at the site for thirty years after closure. The costs to the Agency have been estimated at \$351,300 as of June 30, 2009, which is the latest information available, and the Agency has begun to accumulate resources to fund these costs. As of June 30, 2009 deposits of \$351,300 are restricted for these purposes. No estimate has been made as to the effect of future assessments to the City.

8. INTERFUND TRANSFERS

The detail of interfund transfers for the fifteen month period ended September 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 57,254
Special Revenue:		
Road Use	General	20,000
Enterprise:	Special Revenue:	
Water	Local Option Sales Tax	42,940
Enterprise:	Special Revenue:	
Sewer	Local Option Sales Tax	<u>42,940</u>
		<u>\$ 163,134</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF SLOAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009

9. SERVICE AGREEMENTS

The City has an agreement with CHN Garbage Service, Inc. for refuse collection and hauling of solid waste and recyclable materials. Payments under this agreement were \$60,463 for the fifteen month period ended September 30, 2009.

11. RISK MANAGEMENT

City of Sloan is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## REQUIRED SUPPLEMENTARY INFORMATION



CITY OF SLOAN  
BUDGETARY COMPARISON SCHEDULE OF  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Less Activity 7/1/2009 to 9/30/2009	Net - Year Ended June 30, 2009	Budgeted Amounts		Final to Net Variance
					Original	Final	
Receipts:							
Property tax	\$ 256,926	\$ -	\$ 28,255	\$ 228,671	\$ 225,122	\$ 225,122	\$ 3,549
Other city tax	143,134	-	26,132	117,002	110,512	110,512	6,490
License and permits	1,738	-	744	994	1,740	1,740	(746)
Use of money and property	27,182	3,020	5,036	25,166	25,060	25,060	106
Intergovernmental	125,991	-	26,631	99,360	90,075	90,075	9,285
Charges for service	102,178	275,159	78,880	298,457	290,290	290,290	8,167
Miscellaneous	30,245	660,994	5,575	685,664	3,290	3,290	682,374
Total receipts	<u>687,394</u>	<u>939,173</u>	<u>171,253</u>	<u>1,455,314</u>	<u>746,089</u>	<u>746,089</u>	<u>709,225</u>
Disbursements:							
Public safety	99,779	-	47,091	52,688	94,769	94,769	42,081
Public works	224,166	-	25,358	198,808	167,478	204,627	5,819
Culture and recreation	93,033	-	20,313	72,720	65,404	99,454	26,734
Community and economic development	1,072	-	-	1,072	1,850	1,850	778
General government	141,093	-	22,912	118,181	104,747	122,424	4,243
Debt service	74,583	-	-	74,583	34,880	74,880	297
Capital projects	-	-	-	-	-	700,000	700,000
Business type activities	-	1,019,941	495,088	524,853	258,868	284,375	(240,478)
Total disbursements	<u>633,726</u>	<u>1,019,941</u>	<u>610,762</u>	<u>1,042,905</u>	<u>727,996</u>	<u>1,582,379</u>	<u>539,474</u>
Excess (deficiency) of receipts over disbursements	53,668	(80,768)	(439,509)	412,409	18,093	(836,290)	1,248,699
Other financing sources (uses), net	<u>(85,880)</u>	<u>85,880</u>	<u>-</u>	<u>-</u>	<u>13,000</u>	<u>742,000</u>	<u>(742,000)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(32,212)	5,112	(439,509)	412,409	31,093	(94,290)	506,699
Balance, beginning of year	<u>560,264</u>	<u>549,087</u>	<u>-</u>	<u>1,109,351</u>	<u>851,741</u>	<u>851,741</u>	<u>257,610</u>
Balance, end of year	<u>\$ 528,052</u>	<u>\$ 554,199</u>	<u>\$ (439,509)</u>	<u>\$ 1,521,760</u>	<u>\$ 882,834</u>	<u>\$ 757,451</u>	<u>\$ 764,309</u>

See accompanying independent auditor's report.

CITY OF SLOAN  
NOTES TO REQUIRED SUPPLEMENTARY  
INFORMATION - BUDGETARY REPORTING  
SEPTEMBER 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year ended June 30, 2009 the budget was amended one time which increased budgeted disbursements by \$854,383. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the business type activities function.

## SUPPLEMENTARY INFORMATION

CITY OF SLOAN  
SCHEDULE OF INDEBTEDNESS  
FIFTEEN MONTH PERIOD ENDED SEPTEMBER 30, 2009

Schedule 1

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance June 30, 2008</u>	<u>Issued During Period</u>	<u>Redeemed During Period</u>	<u>Balance September 30, 2009</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
General Obligation Notes:									
Fire Station	August 24, 2005	4.00%	\$ 400,000	\$ 227,904	\$ -	\$ 28,503	199,401	\$ 12,200	\$ -
Street Sweeper	October 30, 2006	5.00	80,314	60,208	-	30,667	29,541	3,213	-
			<u>\$ 480,314</u>	<u>\$ 288,112</u>	<u>\$ -</u>	<u>\$ 59,170</u>	<u>\$ 228,942</u>	<u>\$ 15,413</u>	<u>\$ -</u>
Revenue Notes:									
Sewer	August 31, 2007	0.00%	<u>\$ 8,365</u>	<u>\$ 8,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,365</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

CITY OF SLOAN  
NOTE MATURITIES  
SEPTEMBER 30, 2009

Schedule 2

Year Ending June 30	General Obligation				Revenue Notes		
	Fire Station		Street Sweeper		Sewer Notes		Total
	<u>Issued August 24, 2005</u>		<u>Issued October 30, 2006</u>		<u>Issued August 31, 2007</u>		
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	
2010	4.00%	\$ 10,214	5.00%	\$ 12,795	0.00%	\$ 8,365	\$ 31,374
2011	4.00	22,936	5.00	13,043	-	-	35,979
2012	4.00	23,863	5.00	3,703	-	-	27,566
2013	4.00	24,827		-	-	-	24,827
2014	4.00	25,830		-	-	-	25,830
2015	4.00	26,873		-	-	-	26,873
2016	4.00	27,959		-	-	-	27,959
2017	4.00	29,088		-	-	-	29,088
2018	4.00	7,811		-	-	-	7,811
		<u>\$ 199,401</u>		<u>\$ 29,541</u>		<u>\$ 8,365</u>	<u>\$ 237,307</u>

See accompanying independent auditor's report.

HUNZELMAN, PUTZIER & CO., PLC  
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.  
RICHARD R. MOORE, C.P.A.  
WESLEY E. STILLE, C.P.A. (RETIRED)  
KENNETH A. PUTZIER, C.P.A. (RETIRED)  
W.J. HUNZELMAN, C.P.A. 1921-1997

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Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council  
Sloan, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Sloan, Iowa, as of and for the fifteen month period ended September 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 18, 2010. Our report expressed unqualified opinions on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Sloan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Sloan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Sloan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of City of Sloan's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by City of Sloan's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described in the Schedule of Findings, we believe items I-A-09, I-C-09, and I-D-09 are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Sloan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the fifteen month period ended September 30, 2009, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Sloan's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Sloan's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of City of Sloan, and other parties to whom City of Sloan may report. This report is not intended to be and should not be used by anyone other than these specified parties.

March 18, 2010

*Hungelman, Putzler & Co.*

CITY OF SLOAN  
SCHEDULE OF FINDINGS  
FIFTEEN MONTH PERIOD ENDED SEPTEMBER 30, 2009

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled by two individuals.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - In our small office, we only have two employees to handle bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations. The City has always only had two employees at the most to do these jobs and at this time it will remain as such. The City Clerk oversees all of the above duties and performs most of them herself.

Conclusion - Response accepted.

I-B-09 Financial Reporting - We noted that while management is capable of preparing accurate financial statements that provide information sufficient for City council members to make management decisions, reporting financial data reliably in accordance with an other comprehensive basis of accounting (OCBOA) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable OCBOA financial statements.

Response - The City Clerk has requested and received information from Iowa Professionals Institute on schooling this July. She will be taking courses over the next three years to obtain the Clerk's Certification. She also attends the Tri-County Clerk's monthly meetings and has learned a lot from the other clerks. She receives emails on a daily basis from Clerknet on matters that pertain to small communities, including financial suggestions, etc.

Conclusion - Response accepted.

I-C-09 Disbursements - There were two disbursements for which supporting documentation could not be located.

Recommendation - All disbursements should be supported by original invoices or other supporting documentation.

Response - The two invoices that could not be found were located.

Conclusion - Response accepted.



CITY OF SLOAN  
SCHEDULE OF FINDINGS  
FIFTEEN MONTH PERIOD ENDED SEPTEMBER 30, 2009

Part I: Findings Related to Financial Statements:

I-D-09 Payroll records – Timesheets could not be located for one of the payrolls examined during the audit.

Recommendation - Timesheets or other adequate documentation should be maintained which supports payroll amounts.

Response – The timesheets have never been located. The present City Clerk will keep timesheets on hand for record purposes.

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-09 Certified Budget - Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the business type activities function.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The disbursement for water and sewer improvements had been budgeted in capital projects. We have amended next year's budget to correct this error.

Conclusion – Response accepted.

II-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-09 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-09 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Darrel Iverson, Council Member, brother owns Sloan Tire	Supplies/Repairs	\$827

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with the Council Member's brother do not appear to represent a conflict of interest since the total transactions were less than \$2,500 during the fiscal year.

II-E-09 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

CITY OF SLOAN  
SCHEDULE OF FINDINGS  
FIFTEEN MONTH PERIOD ENDED SEPTEMBER 30, 2009

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

- II-F-09    Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not. However, The City entered into several closed sessions under Chapter 21.5 of the Code of Iowa without noting the specific section. Also, the published minutes do not include a summary of receipts.

Recommendation – The City should follow proper procedure when entering into closed sessions and include all required information in the published minutes.

Response – The present City Clerk is aware of the State Code under Chapter 21.5 and will henceforth reflect that in future closed sessions.

Conclusion – Response accepted.

- II-G-09    Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

- II-H-09    Debt Service - Payments on some of the City's general obligation debt were made from the Road Use fund.

Recommendation - Payments for general obligation debt should only be made from the debt service fund.

Response – In the future, general obligation debt payments will be made from the debt service fund.

Conclusion – Response accepted.

- II-I-09    Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The City should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The City Clerk will contact the bank and request that both the front and back image of the cancelled checks shall be provided on the bank statements.

Conclusion – Response accepted.